

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Periodic Reporting Rules

Docket No. RM2008-4

INITIAL COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these comments in response to Commission Order No. 104 (August 22, 2008). We focus on one aspect of the Commission's initiative with respect to estimating the cost of the Postal Service's public service responsibilities, for the purpose of preparing the annual report required by 39 U.S.C. § 3651(b)(1).

The Commission describes the purpose of proposed Rule 3050.30 at pp. 12-14 of Order No. 104. As we understand that description, the information called for by proposed Rule 3050.30 is meant to allow the Commission to estimate the "geographic component" of public service costs – i.e., the costs particularly associated with the issue addressed in 39 U.S.C. § 3651(b)(1)(A)<sup>1</sup>. Other types of information might be necessary for the development of the total picture contemplated by § 3651(b)(1).

In general, the data called for by the proposed rule properly aim to recognize not only the costs associated with the geographic areas in question, but also the revenues. This is clearly appropriate. Any attempt to decide whether a particular area would be left unserved, or served inadequately, absent a public ser-

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<sup>1</sup> That subparagraph requires the Commission to estimate the cost of

(A) postal services to areas of the Nation where . . . the Postal Service either would not provide services at all or would not provide such services in accordance with the requirements of this title if the Postal Service were not required to provide prompt, reliable, and efficient services to patrons in all areas and all communities, including as required under the first sentence of section 101(b)[.]

vice obligation<sup>2</sup> would have to consider the available revenues as well as the direct and indirect costs. In the context of a hypothetical decision as to whether a given area would be served absent a public service obligation, the analyst would naturally consider the *net* cost of the service. The Commission, accordingly, proposes to require “data sufficient to calculate the costs incurred and the revenue derived from each route sampled by the City Carrier Cost System (CCCS) and the Rural Carrier Cost System (RCCS).”<sup>3</sup>

It is not altogether clear, however, that the proposed rule captures all of the revenue associated with serving areas of interest under § 3651(b)(1)(A).

With respect to rural routes, the Commission would require –

(d) For sampled rural routes:

(1) Stops;

(2) Boxes served; and

(3) Mailpieces

identified by carrier route, route type, facility, and ZIP Code[.]

In the case of retail facilities, covered by subsection (e) of the proposed rule, the Commission explicitly asks for revenues generated, as well as costs in-

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<sup>2</sup> In this connection, we note that the Commission expresses the standard as “whether the geographic distribution of the Postal Service’s delivery offices, delivery routes, and retail counter facilities incurs costs that would not be incurred *by a private provider* without public service obligations.” Order No. 104, p. 13; italics added. The concept of “private provider” may entail the requirement of a (presumably competitive) return on expenditures to serve the areas in question. Section 3651(a)(1)(A) does not seem to require that additional cost assumption. It speaks merely of a hypothetical situation in which the Postal Service has no (geographic) public service obligation. In more general terms: a hypothetical *nonprofit* (presumably governmental) provider with no public service obligation is also logically possible. Such a provider might, under certain cost and revenue assumptions, be able to serve a geographic area which a profit-making firm would pass by. If this is so, the standard quoted above could imply an overestimate of geographically-driven public service costs by including more areas than strictly necessary.

<sup>3</sup> Ibid.

curred, by ZIP Code. Like retail offices, however, rural carriers regularly sell stamps, provide special services, and accept packages.<sup>4</sup> It does not appear that the revenue from these activities is recorded by the Rural Carrier Cost System. The purpose of the RCCS, as described in Library Reference L-12 in Docket R2006-1, is to “gather[ ] data for distributing major portions of carriers’ salaries, benefits and related costs to the various categories of mail *for postal ratemaking purposes.*”<sup>5</sup> For cost allocation in ratemaking, data on the dollars collected through rural carriers’ postage sales and other revenue-generating activities on the route might indeed be superfluous. For purposes of the § 3651(b)(1)(A) estimate, we suggest that they are highly important.

GCA suggests, therefore, that the Commission expand proposed Rule 3050.30 by requiring information on revenue collected by rural carriers, in addition to the data on stops, boxes, and mailpieces already incorporated in the Rule.

Respectfully submitted,

GREETING CARD ASSOCIATION

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<sup>4</sup> The Postal Service has said that rural carriers provide most of the services available in a retail office. Docket R2006-1, Postal Service Library Reference LR-L-12, *Rural Carrier Cost System Statistical and Computer Documentation*, p. 1.

<sup>5</sup> *Ibid.*; italics added.